

Reward News

NorthgateArinso Reward Solutions Newsletter

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Welcome to Reward News...

Reward Solutions moving forward for 2010

Since the last newsletter we have been working on our new solution that's coming to market very soon, Compensate. Pay review processes can be quite intensive for many organisations and to take away the strain, Compensate allows you to manage and model your salary plans with ease. Find out more on Compensate and how you can contribute to the developments on page 3.

The free consultancy offer has been extended into this issue! It's for our clients who feel that their organisation would benefit from our expert advice and guidance to ensure the foundations of a good reward strategy are in place. If this could be your organisation, then read more about the complimentary sessions on page 4.

To shed light on how equal pay impacts on the business and what makes an acceptable and successful review of equal pay, we have planned an equal pay course for the private sector in March in central London. If you would be interested attending the course, read more on page 9.

Besides these features, you'll learn about the key steps to a successful benefits review and developing your own reward strategy. Discover what equal pay measures the EHRC have recently proposed and also how Stannah has recently implemented our Evaluate and Pay Modeller solutions to ensure a competitive pay and grading structure.

If there is anything specific that you would like to read about or if you want to comment on an article that we have featured, please email us at rewardinfo@northgearinso.com.

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New Product Development News

Did you know that on average it takes 2.75 months to carry out a salary review – that's 11 weeks!

How much of the HR department's time and resource does that use?

63% of organisations said that their line managers have flexibility to award higher pay increases where they saw fit.

How's the process managed fairly so it ensures Equal Pay compliance?

Do you have a Compensation Conundrum?

In the last edition of Reward News we gave you a sneak preview of the new solution Compensate that is soon to be launched by NorthgateArinso. We now have some further information for you about the solution and an exciting opportunity to get involved.

Compensate is a web based application that makes light work of the complex pay scenarios that can be used to model and implement pay increases. Reward Specialists can view the entire workforce in an interactive organisation chart, enabling them to control any adhoc changes by simply dragging and dropping rather than having to rely on HRIS data changes.

Pay models are designed in a user defined matrix allowing you to adhere to your pay policy whether it is performance based, market rate based, organisational or a mix of factors. A budget can contain multiple pay models which can be filtered on employee data allowing for 'special case' increases. Monitored fields such as gender can be configured giving the Reward Specialist an instant view of equal pay risks once proposed amounts are entered.

Once a model is approved it can be released to managers. A Reward Specialist can view any changed employee data at a glance using visuals in the organisation chart; having this data at your fingertips can be key to adhering to your pay policy.

Managers have access to all their subordinate employees and can decide if they delegate the pay increase process down the hierarchy or not. Multi currency allows summaries to be displayed in their home currency whilst a manager can adjust employees salaries in their local currencies.

A configurable manager view gives you the power to display what is important to your organisation by simply selecting the fields from the list. Integrating Compensate with our full suite you can bring in grade or points from Evaluate or MarketRate fields such as median or upper quartile with visual warnings displayed when going over a grade maximum or if an employee is below the market average; thus giving managers the information they need to adhere to pay policy guidelines.

Workflow means that submissions can be authorised or rejected up the hierarchy until the budget comes back to the Reward Specialist. When closed, all salary data can be sent to the HRIS or Payroll system. Reports can then be run and exported into Microsoft Office applications making it easy to present for final sign off. Compensate keeps a full history of completed budgets giving the option of carrying out comparisons to ensure the pay policy is performing as expected.

If you are interested in Compensate and would like to join our exciting early adopter programme please contact us on 01244 572722 for further details.

Reviewing your Benefits Package

A good employee benefits package can help organisations to support retention programmes by boosting staff morale and can become a powerful recruitment tool.

However, to maintain the strength of your employee benefits offering, the range of benefits provided shouldn't be a one-off decision; it's something that should be regularly reviewed to make sure that the benefits you offer continue to fit with your reward strategy and meet the needs of your employees. Perhaps most importantly in the current environment, it is vital to ensure that your benefits are competitive and that you continually receive value for money. We would suggest that this review is done on an annual basis.

Clever re broking of employee benefits is one of the most successful ways to reduce the costs of a reward programme. However, care needs to be taken so that you don't end up with benefits that cost less but are also notably less attractive than the original ones or provide reduced, substandard or less comprehensive cover.

As part of the review, the following steps need to take place:

- Identify if employees understand or appreciate the benefit
- Determine what the benefit is required for and what the company is trying to achieve by offering it
- Review the existing membership
- Finally: choose the most fitting benefit provider and select the best product for the organisation. The market needs to be thoroughly researched and what is available evaluated, as well obtaining information about the various providers and the unique attributes of each product.

Once the above steps are completed and a provider has been chosen, it is important to ensure that the new benefits, along with any revised T&C's are communicated to employees. This is a vital part of ensuring the success of a flexible benefits scheme; if staff don't know enough about the benefits then they are unlikely to select them as part of their package.

NorthgateArinso Reward Solutions can work with you to accomplish the above process and then bring added value by using our strategic partners, market position and strength to negotiate powerfully on your behalf to obtain the best terms for you.

There is a vast quantity of employee benefit products available in the market place and our specialist benefit consultants are fully up to speed with everything that is on offer. They can therefore work with you to establish what will appeal to your workforce and then suggest innovative benefit options for you.

Author: Debby Hannaford, Senior Benefits Consultant

To find out more about Debby visit:
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Case Study Example

A support services PLC company was providing private medical insurance, death in service and income protection for its 2100 employees. As a result of reviewing the membership, merging a number of historical policies, packaging the death in service and income protection schemes together with one provider and reducing the initial commission this year's premiums were reduced by £160,000.

Free Consultancy - worth over £1250!

The current economic and business conditions means there is even more focus and pressure on employee remuneration. This places reward at the heart of your HR and organisational strategy and so it's critical that the foundations of a good reward strategy are in place.

Current reward topics that are foremost among HR and Reward professionals in both public and private sectors at the moment are:

- A clear means of evaluating roles and creating a workable pay and grading structure
- Executive pay
- Dealing with the cost of equal pay and risk management
- Market pay and career progression.

We are offering a free consultancy session for our existing clients to review strategy, progress on specific projects or simply to obtain general advice on reward matters or challenges you may be facing.

If you are interested in taking up this offer, then please email: rewardinfo@northgatearinso.com

Find out more about our reward consultancy approach: www.northgatearinso-reward.co.uk/consultanting_services



NHS CAJE Site Administrator Training

To retain the security and integrity of the Agenda for Change CAJE system all organisations must have at least one active and accredited Site Administrator. To obtain accreditation, administrators need to attend training and pass the accreditation test. After attending the course, Site Administrators will be fully versed in the administration of the CAJE system and will also be equipped to deliver job matching and evaluation training to new panel members

The upcoming CAJE training dates are:

Tuesday 2nd March: Wokingham, Berkshire
Thursday, 25th March: NorthgateArinso, Chester
Thursday, 22nd April: London
Tuesday, 18th May: Harrogate
Tuesday, 15th June: Wokingham, Berkshire
Thursday 15th July: NorthgateArinso, Chester

To book a place on any of these courses, please contact **Julie Green** on **01244 572733** or email julie.green@northgatearinso.com.

Strategy, Structure, Cost and Risk

Climate

The current business environment is dominated by the impact of the recession which has served to create particularly challenging market conditions. It has also ramped up the pressure on businesses to innovate and change in terms of products, processes and structure. There are high levels of competition in the market place for all of us as we seek those ideas and developments that will give us a competitive advantage over everybody else. There is also significant competition for the most able people in what has been described as 'the war for talent'.

This paper is set in this context and considers the case for taking a strategic approach to reward and how organisations can deliver on their strategy.

The Business Case

There are various statistics available regarding the overall costs of the extrinsic elements of reward, e.g. they represent at least 60% of the operating costs of the business. Whichever way you look at it reward is a serious and significant issue for businesses as it has a direct impact on the bottom line. You need to be able to harness the power of reward to be able to support delivery of your business strategy and ensure that you are getting maximum value for money out of this substantial and ongoing investment.

The importance of having an effective reward strategy is increasingly being recognised by businesses and there have been some particularly telling examples of the potential consequences if you do not, the most obvious of which is in Financial Services.

Reward must serve the needs of the business and support delivery of the overall business strategy. In terms of achieving these aims the greatest value can be delivered when all the elements of the reward strategy are effectively integrated, i.e. when an organisation's strategy for extrinsic rewards is directly linked to other HR strategies concerned with intrinsic rewards such as role structures, performance management, employee development/talent management, recruitment. These in turn need to work in conjunction with other business strategies.

(illustrated in Figure 1 below).



Figure 1: Integrated strategy model

Reward Strategy – What does it look and feel like?

Whilst there is no single reward strategy, there are some common principles that apply:

- Extrinsic and intrinsic factors should be brought together in an integrated way
- The reward strategy must support the organisation's business strategy
- The strategy needs to be cost effective and sustainable
- The strategy should minimise the potential risks to the business
- The strategy must be owned by the business rather than being seen as another HR initiative
- The strategy needs to be clearly communicated and understood by all stakeholders.

Developing Your Reward Strategy

It is not appropriate to simply adopt another organisation's strategy and to expect that it will work for you.

The process set out below outlines the steps in developing your own reward strategy.

- Identify and engage with the key stakeholders
- Ensure that there is a clear and common understanding of the overall vision and strategy of the business, what the critical factors are that will drive success and the key performance indicators for the business, including any constraints such as budgetary limits
- Ensure that due account is taken of external considerations, e.g. the economic climate and regulatory legislative requirements such as the Equal Pay Act
- Build an understanding of the risks that the organisation faces in the reward arena
- Define the philosophy and guiding principles that will underpin reward
- Analyse the alignment of the current approach to reward with the desired reward philosophy and guiding principles. Identify the changes that are necessary to achieve alignment
- Establish the priorities for change, assessing the potential risks and examining the feasibility of different initiatives
- Set up an implementation plan – communication will be an essential component of any such plan as it will be important to take people with you on this journey.

It is important to appreciate that strategy should not be carved in tablets of stone. Organisations are dynamic entities that need to be able to respond rapidly and adapt to meet changing circumstances. The reward strategy needs to be equally flexible and support these changes rather than be rigid

An effective compensation strategy is central to organisational success...

otherwise it will be more of a hindrance. The strategy should be kept under review and tested periodically to assess whether it is still valid or if it needs to be 'retuned' in any way.

Delivering the Reward Strategy

Having developed the strategy, it mustn't be left on a shelf gathering dust.

There are a variety of tools and techniques available to ensure that the philosophy, principles and values enshrined in the strategy can be delivered in practical terms and in doing so ensure that the power of reward can be harnessed to drive the business forward.

- Roles and Role Structures: This links to both intrinsic and extrinsic reward factors. At the heart of this is job evaluation, which is experiencing something of a rebirth in the UK. More organisations are beginning to appreciate the real power of an effective job evaluation system and how to use it
 - as a cornerstone of reward providing the foundation for reward structure design and fair and equitable pay decisions
 - to support organisation development and job design
 - to identify appropriate career paths with links to competency
 - to provide a solid platform for performance management
 - to promote employee development
 - to provide a basis for recruitment.

- Reward Structures: In design terms you will need to consider what the component parts of the structure(s) should be, e.g. base salary, variable and fixed elements of the package and the appropriate balance between them taking into account external market pressures. You will also need to ensure that these are aligned with business objectives and reward principles and that they provide the flexibility to accommodate future changes as the organisation continues to evolve
- Costs: You will need to look at the benefits that the organisation might accrue and both the short term costs of making the changes and the long terms costs of the new structure to ensure that these are affordable and sustainable
- Total Rewards: There is research to suggest that on average employees undervalue their reward packages by as much as 30%. It is important that employees understand the full value of the reward package that your organisation has to offer in order to realise the benefits of your investment in reward. One way of achieving this is through the use of total reward statements which can also be a precursor to other initiatives such as flexible benefits

- Flexible Benefits: Employees are becoming increasingly sophisticated in terms of their expectations and the segmentation of the employee population means that there are no 'one size fits all' solutions. Flexible benefits can help organisations leverage value from their overall spend by providing employees with a degree of freedom to construct a reward package that they value and which can be changed at appropriate times to suit their changing circumstances

- Managing Risk: The potential risks that organisations face were identified earlier in this paper. The reward management techniques outlined here to deliver the strategy will help mitigate these risks. For instance a sound structure built on an appropriate job evaluation platform will provide you with the tools to control payroll costs and prevent unjustified salary and grade drift. This is a significant benefit when you look at the scale of the investment involved in reward and will also provide the information that you need to objectively justify differences in reward should you be challenged either through internal processes or at an Employment Tribunal

- Communication: This is a critical process in reward management and a lack of or ineffective communication is one of the top reasons why reward initiatives fail to realise their potential benefits. When seeking to change reward it is important to engage with people and take them with you. In doing so you will create expectations so it is important that you are able to deliver.

To Conclude

We currently face some very challenging times and it is important that we maximise the return on the significant investment that we make in reward. This will mean understanding what drives organisation success, ensuring that the way that reward is structured supports these key drivers and that employees feel fairly rewarded for their contribution and in comparison to their peers. This does not necessarily mean an in depth review of everything that you do, but you will need to critically appraise your reward strategy and delivery mechanisms to see where improvements need to be made.

The challenge is to harness the power in reward in the most effective way and to deploy the available resources to maximum advantage.

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The Equality and Human Rights Commission Proposed Equal Pay Measures



The Equality and Human Rights Commission (EHRC) are proposing a "menu" of measures in order for organisations with more than 250 employees to report its gender pay gap. These measures include:

Organisation 1

Analysis Type:	Median Hourly Rate Gap
Pay Gap:	42%

- The single figure difference between the median hourly earnings of men and women

Organisation 2

Analysis Type:	Gap by Grade and Job Type
Pay Gap:	-4% Basic Pay

- The difference between the average basic pay and total average earnings of men and women by grade and job type

Organisation 3

Analysis Type:	Starting Salary Gap
Pay Gap:	21%

- The difference between men's and women's average starting salaries.

The main benefit of a single headline will almost certainly be the speed and ease with which these figures can be produced, however, whether the figure is good or bad, without seeing the data that supports it, it is very difficult to form any meaningful opinions on an organisation's pay gap.

Analysing the median hourly rate for males and females should be an easy figure to produce, however, this will not take into consideration the range of jobs undertaken by males and females. Whilst the headline figure may give little cause for concern, it could be masking a number of issues beneath the surface.

The second option should show more meaningful results but is not without its problems. Many organisations do not have robust grading structures that allow logical comparisons to be made.

Even in a large organisation, the number of jobs that contain both males and females may be limited, resulting in only a relatively small number of jobs being analysed.

The third proposal looks at a very specific issue. To produce this figure alone could be very misleading as there are a number of factors that could very easily distort the figures; the ratio of male and female new starters and the type of work that males and females are undertaking. For example, if an organisation takes on 20 cleaners (10 males and 10 females) who are all paid the same and then go on to hire a male director, this would without doubt show a pay gap.

The example figures above are actually all from the same organisation, this illustrates that the same set of data can produce wildly different results. Two of these figures show an organisation that has a considerable gender pay gap, however, look at the data in a different way and on average females are paid more than their male counterparts.

Without doubt the EHRC's announcement is a step in the right direction but for as long as this scheme is entirely voluntary and participants can choose which figures they publish, surely organisations are simply going to cherry pick results.

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Equal Pay Auditing: Best Practice and Risk Management

One Day Course for Private Sector Organisations

March 18th 2010 Central London and Throughout the Year

The cost of this course is £450 and includes a free equal pay whitepaper

With the Equality Bill looming and equal pay driving much of the reward agenda for corporate organisations we have created a new course for anyone interested in how equal pay impacts on the business and what makes an acceptable and successful review of equal pay.

The gender pay gap is still the headline figure quoted by government and the media, but what really lies behind this and what are your obligations as an employer to ensure your pay is fair and equal? Claims can be costly, with up to 6 years back-pay due to successful claimants. It makes sound business sense to assess the risk and implement appropriate action plans.

This course has been designed to help ensure you are meeting your equal pay obligations. We will look at the business case for taking a strategic approach to managing equal pay issues, with best practice advice to help you identify the potential risks and prepare action plans. Our equal pay experts will also look at the potential impact that the Equality Bill could have on your organisation.

To book a place for this course or to register your interest for future courses, please call us on **01244 572722** or email rewardinfo@northgatearinso.com

Our Equal Pay Expertise

NorthgateArinso Reward Solutions are reward specialists and our particular expertise is in equal pay. As the equality debate continues to gather pace, many of our clients have wanted to pro-actively respond to the growing legislative requirements.

Our consultants have helped our numerous public and private sector clients ensure their pay structures are fair and equitable. We have seen in many high profile cases that failure to do so could have a potentially damaging impact, in terms of both cost and organisational reputation. Equal value underpins our approach to fair evaluation and our consultants offer a range of equal pay advice from basic guidelines to carrying out a full Equal Pay Audit.



"We have clearly gained a lot from the pay and grading project, which was delivered under budget and to the agreed timescales. We now hope to carry out a similar exercise for the rest of our 500 employees to ensure we have the right structure across the company."

Catriona Heathcock, Human Resources Director.



Job Evaluation Helps Ensure a Competitive Pay Structure for Stannah Stairlifts

The organisation

Stannah Stairlifts is the world's largest supplier of stairlifts and has supplied over 400,000 units worldwide. The company is part of the Stannah Group, which manufactures a variety of equipment, from the Microlift (Europe's most popular dumb waiter) to a range of goods lifts, escalators and moving walkways.

The situation

Stannah decided to carry out a review of the pay rates for 320 hourly paid employees from its manufacturing, warehousing and distribution areas. It was felt that since the last review a decade earlier, the pay structure had become outdated. This was due to a number of reasons, but in particular the way that the skills required to perform many roles had changed in that time.

"We had a grading structure in place but over the years things had started to drift," says Catriona Heathcock, Stannah's HR Director. "This had potential problems within departments, where clearly any perceived unfairness about pay would be a problem. An accurate evaluation in the context of the present day skills was therefore required, including a new look at the differences between various roles. We also wanted to benchmark against local market rates for similar roles."

Catriona Heathcock, Human Resources Director.

The solution

It was decided that external reward specialists should be brought in to deliver a job evaluation process, as Catriona explains: "We felt that this would bring significant credibility and legitimacy to the process. Choosing NorthgateArinso certainly achieved this, thanks of course to their experience of similar exercises for other companies."

From the start, the evaluation was completed in a highly consultative way, beginning with a presentation in which the process and the reasons behind it were explained to employees and their managers.

The process itself began with NorthgateArinso's Reward Consultant working with Stannah to identify the various unique roles. Discussions were then held with one employee from each role and their managers, with the information gathered informing the evaluation itself.

The evaluation was completed using the five main factors of the analytical Universal Job Evaluation scheme. Once all the roles had been consistently evaluated they were arranged in an order which reflected the skills required to complete them. A suitable pay structure was then developed.

"We delegated all of the evaluation process to NorthgateArinso, who used their own Evaluate and Pay Modeller tools," says Catriona. "Although we didn't have hands on experience of the software, we benefitted from the way it delivered updated information to us in real time, rather than having to wait for reports on employee impact and costs."

"The result was that we were soon able to make decisions and finalise our proposals before presenting them to senior management and the consultative committee."

Creating a new pay structure

The new structure now provides Stannah with a job and pay structure which more accurately reflects the work people are doing. It is also competitive within the local job market, which is beneficial in terms of recruitment and retention.

Catriona says there is another benefit: "The new structure is highly transparent, with everyone now able to see the difference between roles. Managers are able to use this tool for managing development and progression. The skills matrices and competencies can be used to help people understand why they are in a certain grade and what they can do to move up to the next grade, where opportunities are available."



We have a division specialising in Reward, Compensation and Benefits, with expertise in the following areas:

- Equal Pay
- Salary Planning & Reviewing
- Job Evaluation
- Flexible Benefits
- Total Reward Statements

To find out more about how we can help you with your Reward issues, visit our website or call for a free brochure on **01244 572722**.

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